

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Financial Statements  
June 30, 2013

With Independent Auditors' Report Thereon

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA  
June 30, 2013**

Table of Contents

	<u>Page</u>
School District Officials	1
Independent Auditor's Report	2-4
Combined Financial Statements	
Combined Statement of Assets, Liabilities and Fund Balance - All Fund Types and Account Groups - Regulatory Basis	5
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - All Governmental Fund Types - Regulatory Basis	6
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Budget and Actual - General Fund - Regulatory Basis	7
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - Budget and Actual - Special Revenue Fund - Regulatory Basis	8
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance – Budget and Actual Co-op Fund – Regulatory Basis	9
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance – Budget and Actual – Debt Service Fund –Regulatory Basis	10
Notes to Combined Financial Statements	11-25
Combining Financial Statements	
Combining Statement of Assets, Liabilities and Fund Balances - All Special Revenue Funds - Regulatory Basis	26

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA  
June 30, 2013**

Table of Contents

	<u>Page</u>
Combining Financial Statements	
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances - All Special Revenue Funds - Regulatory Basis	27
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances, Budget and Actual – Regulatory Basis, Special Fund Types	28
Combining Statement of Assets, Liabilities and Fund Balance - Fiduciary Fund Types - Regulatory Basis	29-30
Supporting Schedules	
Schedule of Expenditures of Federal Awards - Regulatory Basis	31-32
Schedule of Accountant's Professional Liability Insurance Affidavit	33
Compliance and Internal Control	
Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34-35
Independent Auditors' Report on Compliance For Each Major Program and On Internal Control over Compliance Required By OMB Circular A-133	36-37
Schedule of Findings and Questioned Costs	38-41

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**  
June 30, 2013

Board of Education

President	Kaycie Sheppard
Vice-President	Justin Priest
Clerk	Jerel McCullar
Member	Karon Hedges
Member	Bill Lee

School District Treasurer

Jeannie McGehee

Minute-Encumbrance Clerk

Karen Bailey

Superintendent of Schools

Scott Morgan

## **JOHNSTON & BRYANT**

Certified Public Accountants

Pete Johnston, C.P.A.  
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Ada, Oklahoma 74821-1564  
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MEMBER  
American Institute of Certified Public Accountants  
Oklahoma Society of Certified Public Accountants

### **INDEPENDENT AUDITOR'S REPORT**

The Board of Education  
Roff Independent School District Number I-37  
Roff, Pontotoc County, Oklahoma

#### **Report on the Financial Statements**

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Roff School District I-37, Roff, Oklahoma (District), as of and for the year ended June 30, 2013, as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As discussed in Note 1, the financial statements are prepared by the Roff School District Number I-37 on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Roff School District Number I-37 Roff, Oklahoma as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed in the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balances arising from regulatory basis transactions of each fund type and account group of Roff School District Number I-37, Roff, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

### **Other Matters**

### **Other Information**

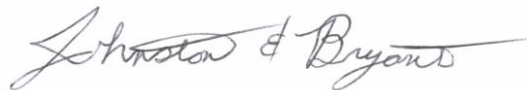
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements-regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

Roff Independent School District I-37  
Pontotoc County, Oklahoma

The combining financial statements-regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements-regulatory basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Johnston & Bryants", with a long horizontal flourish extending to the right.

January 6, 2014  
Ada, Oklahoma

## COMBINED FINANCIAL STATEMENTS



**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Combined Statement of Assets, Liabilities and Fund Balance  
All Fund Types and Account Groups – Regulatory Basis  
June 30, 2013

	Governmental Fund Types			
	General	Special Revenue	Debt Services	Co-Op
<u><b>ASSETS</b></u>				
Cash and Cash Equivalents	\$ 249,326	\$ 111,401	\$ 51,734	\$ 13,842
Amounts Available In Debt Services Fund	-	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 249,326</u>	<u>\$ 111,401</u>	<u>\$ 51,734</u>	<u>\$ 13,842</u>
<u><b>LIABILITIES AND FUND BALANCE:</b></u>				
<u><b>LIABILITIES:</b></u>				
Warrants Payable	\$ 159,775	\$ 8,175	\$ -	\$ 4,607
Encumbrances	-	-	-	-
Long-Term Debt Bonds Payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>159,775</u>	<u>8,175</u>	<u>-</u>	<u>4,607</u>
<u><b>FUND BALANCE:</b></u>				
Fund Balance - Designated	-	-	51,734	-
Fund Balance - Undesignated	89,551	103,226	-	9,235
<b>TOTAL FUND BALANCE</b>	<u>89,551</u>	<u>103,226</u>	<u>51,734</u>	<u>9,235</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 249,326</u>	<u>\$ 111,401</u>	<u>\$ 51,734</u>	<u>\$ 13,842</u>

The accompanying notes are an integral part of this statement.

Governmental Fund-Type	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Capital Projects	Trust and Agency	Long-Term Debt	
\$ -	\$ 73,270	\$ -	\$ 499,573
-	-	51,734	51,734
-	-	323,266	323,266
<u>\$ -</u>	<u>\$ 73,270</u>	<u>\$ 375,000</u>	<u>\$ 874,573</u>
\$ -	\$ -	\$ -	\$ 172,557
-	-	-	-
-	-	375,000	375,000
-	-	375,000	547,557
-	-	-	51,734
-	73,270	-	275,282
-	73,270	-	327,016
<u>\$ -</u>	<u>\$ 73,270</u>	<u>\$ 375,000</u>	<u>\$ 874,573</u>

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
and Changes in Fund Balances

All Governmental Fund Types – Regulatory Basis  
Year Ended June 30, 2013

	Governmental Type Funds			
	General	Special Revenue	Debt Services	Co-Op
<b><u>REVENUES COLLECTED:</u></b>				
District Sources	\$ 461,582	\$ 102,698	\$ 80,480	\$ 46,557
Intermediate Sources	49,576	-	-	-
State Sources	1,614,400	2,822	-	7,828
Federal Sources	535,476	217,315	-	-
<b>TOTAL REVENUE COLLECTED</b>	<b>2,661,034</b>	<b>322,835</b>	<b>80,480</b>	<b>54,385</b>
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	1,577,874	-	-	54,138
Support Services	1,251,843	14,561	-	-
Non-Instruction Services	-	223,562	-	-
Capital Outlay	8,168	45,694	-	-
Other Outlays	3,625	-	85,227	-
<b>TOTAL EXPENDITURES PAID</b>	<b>2,841,510</b>	<b>283,817</b>	<b>85,227</b>	<b>54,138</b>
Excess of Revenues Collected Over (Under) Expenditures Paid	(180,476)	39,018	(4,747)	247
Operating Transfers In	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(180,476)	39,018	(4,747)	247
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>270,027</b>	<b>64,208</b>	<b>56,481</b>	<b>8,988</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 89,551</b>	<b>\$ 103,226</b>	<b>\$ 51,734</b>	<b>\$ 9,235</b>

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 691,317
-	49,576
-	1,625,050
-	752,791
<u>-</u>	<u>3,118,734</u>
-	1,632,012
-	1,266,404
-	223,562
-	53,862
<u>1,537</u>	<u>90,389</u>
<u>1,537</u>	<u>3,266,229</u>
(1,537)	(147,495)
<u>-</u>	<u>-</u>
(1,537)	(147,495)
<u>1,537</u>	<u>401,241</u>
<u>\$ -</u>	<u>\$ 253,746</u>

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance – Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund – General Fund  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES COLLECTED:</u></b>				
District Sources	\$ 386,020	\$ 487,401	\$ 461,582	\$ (25,819)
Intermediate Sources	49,301	49,301	49,576	275
State Sources	1,538,030	1,567,117	1,614,400	47,283
Federal Sources	133,852	477,553	535,476	57,923
<b>TOTAL REVENUE     COLLECTED</b>	<b>2,107,203</b>	<b>2,581,372</b>	<b>2,661,034</b>	<b>79,662</b>
<b><u>EXPENDITURES PAID:</u></b>				
Instruction	1,113,590	1,587,759	1,577,874	9,885
Support Services	1,251,847	1,251,847	1,251,843	4
Non-Instruction Services	-	-	-	-
Capital Outlay	8,168	8,167	8,168	-
Other Outlays	3,625	3,625	3,625	-
<b>TOTAL EXPENDITURES     PAID</b>	<b>2,377,230</b>	<b>2,851,399</b>	<b>2,841,510</b>	<b>9,889</b>
Excess of Revenues Collected Over (Under) Expenditures Paid	(270,027)	(270,027)	(180,476)	89,551
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(270,027)	(270,027)	(180,476)	89,551
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>270,027</b>	<b>270,027</b>	<b>270,027</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 89,551</b>	<b>\$ 89,551</b>

The accompanying notes are an integral part of this statement.

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance – Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund – Special Revenue  
Year Ended June 30, 2013

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES COLLECTED:</u></b>			
District Sources	\$ 71,164	\$ 102,698	\$ 31,534
Intermediate Sources	-	-	-
State Sources	2,685	2,822	137
Federal Sources	192,164	217,315	25,151
<b>TOTAL REVENUE     COLLECTED</b>	<b>266,013</b>	<b>322,835</b>	<b>56,822</b>
<b><u>EXPENDITURES PAID:</u></b>			
Instruction	-	-	-
Support Services	14,565	14,561	4
Non-Instruction Services	223,562	223,562	-
Other	-	-	-
Capital Outlays	92,094	45,694	46,400
<b>TOTAL EXPENDITURES     PAID</b>	<b>330,221</b>	<b>283,817</b>	<b>46,404</b>
Excess of Revenues Collected Over (Under) Expenditures Paid	(64,208)	39,018	103,226
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(64,208)	39,018	103,226
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>(64,208)</b>	<b>64,208</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 103,226</b>	<b>\$ 103,226</b>

The accompanying notes are an integral part of this statement.

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund Types – Co-op Fund  
Year Ended June 30, 2013

	Original/ Final Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES COLLECTED:</u>				
District Sources	\$ -	\$ -	\$ 46,557	\$ 46,557
Intermediate Sources	-	-	-	-
State Sources	-	-	7,828	7,828
Federal Sources	-	-	-	-
TOTAL REVENUE COLLECTED	-	-	54,385	54,385
<u>EXPENDITURES PAID:</u>				
Instruction	8,988	8,988	54,138	(45,150)
Support Services	-	-	-	-
Non-Instruction Services	-	-	-	-
Capital Outlays	-	-	-	-
Other Outlays	-	-	-	-
TOTAL EXPENDITURES PAID	8,988	8,988	54,138	(45,150)
Excess of Revenues Collected Over (Under) Expenditures Paid	(8,988)	(8,988)	247	9,235
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(8,988)	(8,988)	247	9,235
FUND BALANCE, BEGINNING OF YEAR	8,988	8,988	8,988	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 9,235	\$ 9,235

The accompanying notes are an integral part of this statement.

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combined Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balance - Budget and Actual – Regulatory Basis  
Budgeted Governmental Fund Types – Debt Service Fund  
Year Ended June 30, 2013

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES COLLECTED:</u></b>			
District Sources	\$ 76,060	\$ 80,480	\$ 4,420
Intermediate Sources	-	-	-
State Sources	-	-	-
Federal Sources	-	-	-
<b>TOTAL REVENUE COLLECTED</b>	<b>76,060</b>	<b>80,480</b>	<b>4,420</b>
<b><u>EXPENDITURES PAID:</u></b>			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Capital Outlays	-	-	-
Debt Service	85,227	85,227	-
<b>TOTAL EXPENDITURES PAID</b>	<b>85,227</b>	<b>85,227</b>	<b>-</b>
Excess of Revenues Collected Over (Under) Expenditures Paid	(9,167)	(4,747)	4,420
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In (Out)	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(9,167)	(4,747)	4,420
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>56,481</b>	<b>56,481</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 47,314</b>	<b>\$ 51,734</b>	<b>\$ 4,420</b>

The accompanying notes are an integral part of this statement.



## NOTES TO FINANCIAL STATEMENTS

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Roff Public Schools Independent District No. I-37 (the "District") have been prepared in conformity with another comprehensive basis of accounting prescribed or permitted by Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed Superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basis -- but not the only -- criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involved considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**General Fund** - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**Special Revenue Fund** - The special revenue fund of the District consists of the Building Fund and Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of constructing, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries.

**Co-op Fund**- The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint program.

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**Debt Service Fund** - Debt Service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earning from temporary investments.

**Capital Projects Fund** - The Capital Projects Fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Proprietary Fund Types**

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principle. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund - The Agency Fund is the Schools Athletic and Activities Fund which is used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

**Account Groups**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Fund Accounting (continued)**

**General Long-Term Debt Account Group** - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt-service fund and the amount to be provided in future years to complete retirement of the debt principal.

**General Fixed Asset Account Group** - This account group is used to account for property, plant and equipment of the school district.

**Memorandum Only - Total Column**

The total column on the combined financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**C. Basis of Accounting**

The District prepares its basic financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting (continued)**

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**D. Budgets and Budgetary Accounting**

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the District.

**E. Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Assets, Liabilities and Fund Equity**

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Investments** - Investments consist of the purchase of Certificates of Deposit. All investments are recorded at cost.

**Inventories** - The value of consumable inventories at June 30, 2013 is not material to the financial statements.

**Fixed Assets and Property, Plant and Equipment** - The General Fixed Assets Account Group is not presented.

**Compensated Absences** - The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

**Long-Term Debt** - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

**Due to Activity Groups** - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

**Reserved for Debt Service** - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District).

**Cash Fund Balance** - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

**G. Revenue, Expenses and Expenditures**

**Local Sources** - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**Intermediate Sources** - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

**State Sources** - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenues from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenue be accounted for in the general fund.

**Federal Sources** - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

**Instruction Expenditures** - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

**Support Services Expenditures** - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

**Operation of Non-Instructional Services Expenditures** - This expenditures category consists of activities which provide non-instructional services to students, staff or the community.



**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Revenue, Expenses and Expenditures (continued)**

**Capital Outlays** - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

**Other Outlays** - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

**H. Statement of Cash Flows**

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2013 accompanying financial statements.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

**Note 2. Property Taxes**

The District's ad valorem property tax is levied each October 1 on the assessed value listed for all real, business personal and public service property located in the District. The assessed value of the certified roll, upon which the levy for the 2013 fiscal year was based, was \$11,440,833. On February 13, 2001, voters of the school district voted to make all support levies permanent.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 3. Cash and Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificate of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

In accordance with state statutes, the districts investment policy as follows:

The Treasurer shall invest the full amount of the investment account in:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States is pledged; provided, a treasurer of a school district who has completed the appropriate training offered by the State Department of Education may invest funds in the investment account in other obligations of the United States Government, its agencies, or instrumentalities;
2. Obligations to the payment of which the full faith and credit of this state is pledged;
3. Certificates of deposit of banks when such certificates of deposit are secured by acceptable collateral;
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation;
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 including obligations of the United States, its agencies and instrumentalities, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes;
6. County, municipal, or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such country, municipality or school district ordered by a court of record or bonds or bond and revenue notes issued by a public trust for which such country, municipality or school district is a beneficiary thereof;
7. Money market mutual funds regulated by the securities and exchange commission and which investments consist of obligations of the United States, its agencies and

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Financial Statements

June 30, 2013

**Note 3. Cash and Investments (continued)**

instrumentalities, and investments in those items and those restrictions specified in paragraphs 1 through 6;

8. Warrants, bonds, or judgments of the school district; or

9. Qualified pooled investment programs. The investment of which consist of those items specified in paragraphs 1 through 8 as well as obligations of the United States agencies and instrumentalities, regardless of the size of the districts budget. To be qualified, a pooled investment program for the schools funds must be governed through an interlocal cooperative agreement formed pursuant to 70 O.S. 5-117b and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the board of education.

Any interest received from investments may be placed in the general fund, the sinking fund, the building fund, or the fund from which the investment was made as approved by the board of education at a lawfully convened board meeting.

The treasurer shall place primary emphasis on safety and liquidity in the investment funds. Taking into account the need to use sound investment judgment prior to purchasing direct obligations of the United States Government or other obligations of the United States Government, its agencies or instrumentalities, the school district should utilize competitive bids, to the extent practicable. All investments shall be designed to maximize yield within the class of investment instrument, consistent with the safety of the funds invested.

To determine that the schools funds are properly secured, the treasurer shall, on a monthly basis, obtain from each bank where funds are deposited a listing of collateral pledged, setting forth the par value and market value of such collateral. The board shall utilize said documents in reviewing the investment performance of the treasurer.

The board of education shall review the investment performance of the treasurer each month at its regularly scheduled board meeting. Such review shall include, but is not limited to, a determination of whether the treasurer is making informed investment decisions regarding the safety, return, liquidity, costs, and benefits of various investment options in selecting investments for the school district.

Credit Risk is the risk that an issuer or other counter part to an investment will not fulfill its obligation. Generally, the school's investments are managed under the custody of the school's treasurer. Investing is performed in accordance with the school's investment policy as described above. As of June 30, 2013 the school's investments were deposited in local banks in bank accounts and certificates of deposits. These accounts are in one bank that is entirely insured by the

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 3. Cash and Investments (continued)**

FDIC up to its limits, with the individual bank pledging securities for the deposits in excess of the FDIC limits. As such at June 30, 2013 the school was not subject to custodial credit risk. However, the school is subject to concentration of Credit Risk since the one bank has deposits in excess of five percent of the school's total investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investment held for longer periods of time are subject to increased risk of adverse interest rate changes. The School's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The school's investments are held in bank accounts and certificates of deposits which are short term to minimize Interest Rate Risk to as low a level as possible.

The District's deposits and investments are in one financial institution as follows:

	<u>Bank Balance</u>	<u>Pledged Collateral</u>	<u>FDIC Insurance</u>
Oklahoma Heritage Bank, Roff, OK	\$ 499,573	\$ 302,921	\$ 331,928
Total Deposits	<u>\$ 499,573</u>	<u>\$ 302,921</u>	

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 4. General Long-Term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without the approval by the District voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 10 years from the date of issue. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013.

<u>Obligation</u>	<u>Balance Outstanding 6-30-12</u>	<u>Issued (Retired) During Year</u>	<u>Balance Outstanding 6-30-13</u>
2008 GO Bonds	\$ 445,000	\$ 70,000	\$ 375,000
Totals	<u>\$ 445,000</u>	<u>\$ 70,000</u>	<u>\$ 375,000</u>

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 70,000	\$ 12,988	\$ 82,988
2015	70,000	10,713	80,713
2016	70,000	8,368	78,368
2017	70,000	5,952	75,952
2018	<u>95,000</u>	<u>3,468</u>	<u>98,468</u>
Totals	<u>\$ 375,000</u>	<u>\$ 41,489</u>	<u>\$ 416,489</u>

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 5. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**Note 6. Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 7. Employee Retirement System**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK, 73152 or by calling 405-521-2387.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 7. Employee Retirement System (continued)**

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The system has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma, plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The District's total contributions for 2013, 2012, and 2011 were \$146,350, \$136,952 and \$145,063 respectfully.

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Notes to Financial Statements  
June 30, 2013

**Note 8.        Surety Bonds**

The treasurer is bonded by Western Surety Company for the sum of \$50,000 as of June 30, 2013.

The minute clerk/encumbrance clerk is bonded by Western Surety Company for the sum of \$2,000 as of June 30, 2013.

The superintendent is bonded by Western Surety Company for the sum of \$100,000 as of June 30, 2013.

The Activity Fund Custodian is bonded by Western Surety Company for the sum of \$3,500 as of June 30, 2013.

**Note 9.        Subsequent Events**

Management has evaluated subsequent events through January 6, 2014 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



## COMBINING FINANCIAL STATEMENTS

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Combining Statement of Assets, Liabilities and Fund Balances  
All Special Revenue Funds – Regulatory Basis  
June 30, 2013

	<u>Building Fund</u>	<u>Child Nutrition Program Fund</u>	<u>Total (Memorandum Only)</u>
<b><u>ASSETS:</u></b>			
Cash and Cash Equivalents	\$ 53,860	\$ 57,541	\$ 111,401
<b>TOTAL ASSETS</b>	<u>\$ 53,860</u>	<u>\$ 57,541</u>	<u>\$ 111,401</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Warrants Payable	\$ -	\$ 8,175	\$ 8,175
Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>8,175</u>	<u>8,175</u>
 <b><u>FUND BALANCE:</u></b>			
Fund Balances	<u>53,860</u>	<u>49,366</u>	<u>103,226</u>
<b>TOTAL LIABILITIES     AND FUND BALANCES</b>	<u>\$ 53,860</u>	<u>\$ 57,541</u>	<u>\$ 111,401</u>

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balances - All Special Revenue Funds – Regulatory Basis  
Year Ended June 30, 2013

	<u>Building Fund</u>	<u>Child Nutrition Program Fund</u>	<u>Total (Memorandum Only)</u>
<b><u>REVENUES COLLECTED:</u></b>			
District Sources of Revenue	\$ 62,552	\$ 40,146	\$ 102,698
State Sources of Revenue	-	2,822	2,822
Federal Sources of Revenue	-	217,315	217,315
<b>TOTAL REVENUE</b>	<u>62,552</u>	<u>260,283</u>	<u>322,835</u>
<b><u>EXPENDITURES PAID:</u></b>			
Instruction	-	-	-
Support Services	14,561	-	14,561
Non-Instruction Services	-	223,562	223,562
Capital Outlay	45,694	-	45,694
Other Outlays	-	-	-
<b>TOTAL EXPENDITURES PAID</b>	<u>60,255</u>	<u>223,562</u>	<u>283,817</u>
Excess of Revenues Over (Under) Expenditures Paid	2,297	36,721	39,018
<b><u>OTHER RESOURCES AND USES:</u></b>			
Operating Transfers In (Out)	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	2,297	36,721	39,018
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>51,563</u>	<u>12,645</u>	<u>64,208</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 53,860</u></u>	<u><u>\$ 49,366</u></u>	<u><u>\$ 103,226</u></u>

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Combining Statement of Revenues Collected, Expenditures Paid  
And Changes in Fund Balances – Budget and Actual (Regulatory Basis)  
Special Revenue Fund Types  
Year Ended June 30, 2013

	Building Fund		
	Original Budget	Final Budget	Actual
<u>Revenues Collected:</u>			
District Sources of Revenue	\$ 55,096	\$ 55,096	\$ 62,552
State Sources of Revenue	-	-	-
Federal Sources of Revenue	-	-	-
<b>TOTAL REVENUE COLLECTED</b>	<u>55,096</u>	<u>55,096</u>	<u>62,552</u>
 <b>EXPENDITURES</b>			
Instruction	-	-	-
Support Services	14,565	14,565	14,561
Non-Instruction Services	-	-	-
Capital Outlays	92,094	92,094	45,694
Other Outlays	-	-	-
<b>TOTAL EXPENDITURES PAID</b>	<u>106,659</u>	<u>106,659</u>	<u>60,255</u>
 Excess of Revenue Over (Under) Expenditures Paid	(51,563)	(51,563)	2,297
 <u>OTHER RESOURCES AND USES:</u>			
Operating Transfers In	-	-	-
 Revenues and Other Resources Over (Under) Expenditures and Other Uses	(51,563)	(51,563)	2,297
  <b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>51,563</u>	<u>51,563</u>	<u>51,563</u>
 <b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,860</u>

Child Nutritional Fund		
Original Budget	Final Budget	Actual
\$ 16,068	\$ 16,068	\$ 40,146
2,685	2,685	2,822
153,692	192,164	217,315
<u>172,445</u>	<u>210,917</u>	<u>260,283</u>
-	-	-
-	-	-
185,090	223,562	223,562
-	-	-
-	-	-
<u>185,090</u>	<u>223,562</u>	<u>223,562</u>
(12,645)	(12,645)	36,721
-	-	-
(12,645)	(12,645)	36,721
12,645	12,645	12,645
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,366</u>

Total		
Original Budget	Final Budget	Actual
\$ 71,164	\$ 71,164	\$ 102,698
2,685	2,685	2,822
153,692	192,164	217,315
<u>227,541</u>	<u>266,013</u>	<u>322,835</u>
-	-	-
14,565	14,565	14,561
185,090	223,562	223,562
92,094	92,094	45,694
-	-	-
<u>291,749</u>	<u>330,221</u>	<u>283,817</u>
(64,208)	(64,208)	39,018
-	-	-
(64,208)	(64,208)	39,018
64,208	64,208	64,208
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,226</u>

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Combining Statement of Assets, Liabilities and Fund Balance  
Fiduciary Funds – Regulatory Basis  
June 30, 2013

	Agency Fund School Activity Fund
<u>ASSETS</u>	
Cash	\$ 76,625
 TOTAL ASSETS	 <u>\$ 76,625</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES:</u>	
Checks Payable	\$ 3,355
 TOTAL LIABILITIES	 <u>3,355</u>
 <u>FUND BALANCE:</u>	
Unreserved/Undesignated	16,315
Designated Student Groups	<u>56,955</u>
 TOTAL FUND BALANCE	 <u>73,270</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 76,625</u>

**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
School Activity Funds  
Year Ended June 30, 2013

Description	Beginning Balance 6/30/2012	Receipts	Adjustments	Disbursements	Ending Balance 6/30/2013
Athletics	\$ 6,384	\$ 123,565	\$ -	\$ 117,930	\$ 12,019
Miscellaneous	14,304	5,264	-	16,348	3,219
FFA	2,301	31,330	-	30,352	3,280
Elementary Conc	1,917	5,981	-	4,934	2,965
Sr. Trip	22	5,000	2,066	7,005	84
Jr. Trip	2,065	248	(1,389)	50	874
Soph	677	1,515	(252)	746	1,195
Freshman	425	1,470	(425)	722	748
Library	2,353	2,366	-	2,928	1,791
OERB	1,028	288	-	211	1,105
Business Club	1,929	5,696	-	5,744	1,880
Academics	386	727	-	718	395
Jr. 4-H	791	-	-	-	924
Yearbook	9,298	7,140	-	8,048	8,390
Sr. Misc	-	1,749	-	1,709	40
Science Fair	-	-	-	-	-
Sped. ED	742	3,110	-	3,036	815
Cheerleaders	1,515	3,660	-	4,295	881
Baseball Hitting Facility	8,469	19,897	-	15,787	12,579
Student Section	-	155	-	-	155
Girls Athletics	1,044	9,864	-	10,248	660
6th	50	-	-	50	-
7th	146	-	-	146	-
Art Studio	4,837	7,877	-	5,595	7,118
21st Century	374	-	-	-	374
Music	1,516	-	-	493	1,023
Flower Fund	9	-	-	-	9
BETA Club	3,721	3,604	-	3,164	4,161
Student Council	1,510	3,756	-	4,213	1,053
Pre-School	3	3,666	-	3,099	570
FCA	1,069	983	-	1,561	490
Alt. Ed	344	-	-	-	344
Child Nutrition	76	19,932	-	20,008	-
Drama	514	-	-	157	358
National Honor Society	3,135	1,270	-	1,581	2,824
High School Misc.	243	300	-	195	348
Boys Basketball	1,957	10,908	-	12,136	729
Grand Total	<u>\$ 75,154</u>	<u>\$ 281,320</u>	<u>\$ -</u>	<u>\$ 283,206</u>	<u>\$ 73,269</u>

## SUPPORTING SCHEDULES



**ROFF PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Pass Through Grantor's Number</u>	<u>Balance June 30, 2012</u>
<u>U.S. Department of Education Direct Programs:</u>			
Indian Education	84.060	B060A010063	\$ -
TOTAL U.S. DEPARTMENT OF EDUCATION			-
<u>Passed Through State Department of Education:</u>			
Title I - Part A	84.010	N/A	1,584
21 Century Community Learning Center	84.287	N/A	26,873
IDEA - B - Flow Thru	84.027	N/A	3
Special ED - Preschool	84.173	N/A	-
Indian Education JOM	15.130	N/A	975
Title II Part A REAP	84.367	N/A	-
Indian Ed- Small Rural	84.358A	N/A	-
Systems of Care Project Code 613	84.027	N/A	-
Reach Initiative	84.410	N/A	-
Job Training OJT OK Rehab Services Proj Code 456	84.126	N/A	-
TOTAL DEPARTMENT OF EDUCATION			6,443
<u>Passed Through Oklahoma Tourism and Recreation Department</u>			
Land and Water Conservation Fund	15.916	N/A	15,940
<u>Passed Through State Department of Vocational and Technical Education</u>			
Carl D Perkins	84.048	N/A	7,159
<u>Passed Through U.S. Department of Agriculture:</u>			
Child Nutrition - Breakfasts	10.553	N/A	-
Child Nutrition - Lunches	10.555	N/A	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-
<u>Passed Through U.S. Department of Human Services</u>			
Commodity Supplemental Food Program	10.565	N/A	-
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			-
TOTAL FEDERAL ASSISTANCE			\$ 29,571

Reciepts for Prior Year Expenditures	Reciepts for Current Year Expenditures	Current Year Expenditures	Balance June 30, 2013
<u>\$ -</u>	<u>\$ 14,827</u>	<u>\$ 15,217</u>	<u>\$ -</u>
<u>-</u>	<u>14,827</u>	<u>15,217</u>	<u>-</u>
1,158	91,928	92,519	588
19,553	69,900	124,860	-
4,902	68,377	68,376	15
-	3,086	3,086	-
4,125	1,277	3,598	877
-	25,757	25,757	4,157
-	18,959	18,403	556
-	5,000	5,000	-
-	133,852	133,852	-
-	1,783	2,424	-
<u>29,738</u>	<u>419,919</u>	<u>477,875</u>	<u>6,193</u>
-	57,943	89,777	-
7,107	5,941	5,941	-
-	73,772	57,681	16,091
<u>-</u>	<u>134,908</u>	<u>100,091</u>	<u>34,817</u>
<u>-</u>	<u>208,680</u>	<u>157,772</u>	<u>50,908</u>
-	8,635	8,635	-
<u>-</u>	<u>8,635</u>	<u>8,635</u>	<u>-</u>
<u>\$ 36,845</u>	<u>\$ 715,945</u>	<u>\$ 755,217</u>	<u>\$ 57,101</u>

**ROFF PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. I-37  
PONTOTOC COUNTY, OKLAHOMA**

Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis  
Year Ended June 30, 2013

**Note 1:** The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Roff Public Schools, I-37, Pontotoc County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

No amounts were passed through to a subrecipient.

**SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Education  
Roff School District Number I-37  
Roff, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Roff School District Number I-37, Roff, Oklahoma(District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated January 6, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of the financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's Internal control over financial reporting (Internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

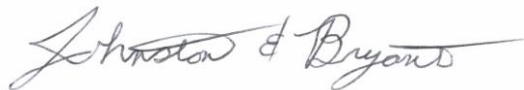
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 01-13.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Johnston & Bryants", written in dark ink.

Ada, Oklahoma  
January 6, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

The Board of Education  
Roff Independent School District Number I-37  
Roff, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the Roff School District Number I-37, Roff, Oklahoma (District)'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Roff School District Number I-37, Roff, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

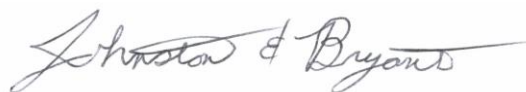
## **Report on Internal Control Over Compliance**

Management of Roff School District Number I-37, Roff, Oklahoma (the District), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Johnston & Bryant", is centered on the page. The signature is fluid and cursive, with a horizontal line extending to the right.

January 6, 2014  
Ada, Oklahoma

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Adverse opinion on the basic financial statements-regulatory basis in conformity with generally accepted accounting principles and an unqualified opinion on the governmental activities, each major fund and the aggregate remaining fund information in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control over financial reporting

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Noted
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Findings relating to the financial statements which are required to be reported in accordance with GAGAS?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Noted

Federal Awards

Internal control over major programs: Unqualified

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable conditions identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?

☐ Yes ☒ No

Findings and questioned costs for Federal Awards

☐ Yes ☒ None Noted

**ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.287	21st Century Community Learning Center
84.010	Title I
84.410	Reach Initiative
84.367	Title II Part A-REAP
84.027	System of Care
84.173	Special Ed - PreSchool
84.027	IDEA – B Flow Through

Dollar threshold used to distinguish between  
type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☐ Yes    ☒ No

**ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Status of Prior Year Findings

**01-12 General Fund Cash Reconciliation**

**Criteria:** Proper internal controls dictate the general fund cash balance to be properly reconciled to the bank account on a monthly basis.

**Condition:** As of June 30, 2012 the school's general fund balance per their financial statements totaled \$402,898.79. The reconciled bank account for the general fund totaled \$397,358.22. A difference existed totaling \$5,540.97.

**Cause:** During the year the school was using a contract treasurer who was unable to keep the general cash fund account reconciled to the bank account.

**Effect or Potential Effect:** By not knowing the exact amount of money in the school general fund, the funds could inadvertently be overspent. Also, proper reconciliation of the account reduces the potential ability of someone spending money fraudulently.

**Recommendation:** Reconcile all cash accounts to the bank accounts on a monthly basis. Any differences should be thoroughly investigated and resolved immediately.

**Responsible Official's Response:**

The new school treasurer will reconcile the general fund monthly and promptly report any differences so they can be resolved.

**Current Status:** The general fund account was properly reconciled during the 2012-2013 school year.

**02-12 Coding of Federal Expenditures**

**Criteria:** Receipt of Federal Funding required the proper recognition of those funds as federal expenditures when spent.

**Condition:** During the fiscal year ending June 30, 2012, the school received and spent 170,767 of federal child nutrition revenues but failed to properly record the expenditures as federal expenditures in their records.

**Cause:** The school used an incorrect coding when recording the expenditure of those funds.

**Effect or Potential Effect:** Understatement of federal expenditures by 170,767 as reported on the school's OCAS report.

**Current Status:** The incorrect coding was properly addressed during the 2012-2013 school year.

**ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37**  
**PONTOTOC COUNTY, OKLAHOMA**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Status of Current Year Findings

**01-13 Warrants Issued in Excess of Appropriations**

**Criteria:** In accordance with Section 958, Oklahoma School Code (70-01-101), no warrant or certificate of indebtedness in any form shall be issued, approved, signed or attested, on or against any appropriation for a purpose other than that for which the said item of appropriation was made, or in excess of the amount thereof.

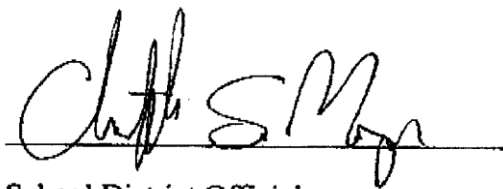
**Condition:** The school expended \$45,150 of non-appropriated Co-op funds.

**Cause:** The responsible school district employee (official) did not verify the amount of appropriations available in the Co-op fund prior to expending the funds.

**Effect:** Expending funds in excess of appropriations is a violation of Oklahoma School Code.

**Recommendation:** Prior to issuing any warrants, the responsible school employee (official) should always verify the amount of appropriations available to be spent.

**Responsible Official's Response:** School employees responsible will be instructed to verify all appropriated amounts in all funds prior to issuing warrants in order to keep this from happening in the future.

A handwritten signature in black ink, appearing to read 'Chris M. Boyer', is written over a horizontal line.

School District Official



